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RUEHMN/AMEMBASSY MONTEVIDEO 2476
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RUEHSG/AMEMBASSY SANTIAGO 2178
RUEHRI/AMCONSUL RIO DE JANEIRO 8412
RUEHRG/AMCONSUL RECIFE 3856
RHEHNSC/NSC WASHDC
RHMFISS/CDR USSOUTHCOM MIAMI FL
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/USDOC WASHDC 2934
RUEHC/DEPT OF LABOR WASHDC
RUEAIIA/CIA WASHDC
RUEAWJC/DEPT OF JUSTICE WASHDC
RUEABND/DEA HQS WASHDC

UNCLAS SECTION 01 OF 03 SAO PAULO 000878

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STATE FOR EB/TPP/IPE JENNIFER BOGER
STATE FOR WHA/BSC, INR/IAA, INR/R/AA
STATE ALSO FOR DS/IP/WHA, DS/DSS/ITA, DS/DSS/OSAC
STATE PASS USTR FOR KATE DUCKWORTH AND JENNIFER CHOE GROVES
STATE PASS USPTO
NSC FOR TOMASULO
TREASURY FOR JHOEK
USDOC FOR 4332/ITA/MAC/WH/OLAC
USDOC ALSO FOR 3134/USFCS/OIO
SOUTHCOM ALSO FOR POLAD
USAID FOR LAC/AA

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SUBJECT: SAO PAULO CITY OFFICIAL TALKS ABOUT GOVERNANCE, POLITICS,
AND FIGHTING PIRACY AND OTHER CRIME

REF: (A) SAO PAULO 767; (B) 05 SAO PAULO 848
(C) RECIFE 87

SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY

SUMMARY

1. (SBU) Calling the operations of street vendors a "racket," Sao Paulo assistant Mayor Andrea Matarazzo told Consul General (CG) that he has been cracking down on the sale of pirated and counterfeit goods by both stores and vendors. He associated the vendors' activities with organized criminal activity perpetrated by the First Capital Command (PCC) in Sao Paulo and drug traffickers in Rio de Janeiro, saying that "today's pirated CD is tomorrow's stray bullet." Matarazzo, a friend and advisor of Governor Jose Serra, decried what he referred to as the "glamorization of the favela" (urban slum), as evidenced by the popularity of the movie "Tropa da Elite." He also praised Governor Serra's tough stance against crime, pointing to the long and continuing period of tranquility in Sao Paulo's streets and prisons since the 2006 PCC uprising, and citing the Serra administration's success at preventing cell phone use by state prisoners and the Governor's efforts to better control the military and civil police and improve their performance. Septel will report Matarazzo's perspectives on the national political scene and prospects for the 2008 and 2010 elections. End Summary.

2. (SBU) CG called on the Assistant Mayor in his City Hall office

on October 22. Matarazzo wears two hats in the municipal government, both appointed positions: he is Assistant Mayor responsible for the downtown (Se or Cathedral) district, and is Secretary in charge of coordination of Sao Paulo's 31 administrative

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districts ("subprefeituras"). Matarazzo, who served as a Minister and later an Ambassador under President Fernando Henrique Cardoso (FHC), went to work in the city government in January 2005 when his friend and colleague Jose Serra assumed office as Mayor. When Serra resigned in March 2006 to run for Governor, Matarazzo stayed on, in part to help the new Mayor, Gilberto Kassab, find his way, and in part to ensure that Serra would continue to exercise influence in City Hall.

RUNNING THE CITY

13. (SBU) He appears to be carrying out these mandates with vigor. He occupies the Vice-Mayor's office one floor above the Mayor's - since Kassab replaced Serra, there is no incumbent Vice-Mayor. Matarazzo serves as de facto chief operating officer for a city of 11 million residents and a budget of more than USD 10 billion. Matarazzo referred to "Serra's different management model" as the city's organizing principle and spoke as if he and Serra jointly personify the municipal government, and as if Mayor Kassab were merely an appendage or an afterthought. At one point he commented that Kassab (see ref A), a member of the Democratic Party (DEM), "is doing well in a PSDB administration," a reference to Serra's Social Democracy Party of Brazil (PSDB). He estimated that about 80% of City Hall officials are PSDB members.

14. (SBU) Matarazzo said he and Serra had picked the Assistant

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Mayors, trying to reform a machine system in which each Assistant Mayor was beholden to a City Council member and was mainly responsible for looking after that Councilman's friends and other interests in the district. Under Serra (and now Kassab), he said, Assistant Mayors are expected to shun corruption and favoritism and deliver competent administration, and Matarazzo's job is to ensure uniformity across the 31 districts. He claimed to have just shut down three projects in the upscale Jardins neighborhood that were being run by friends of his.

NO NEED FOR STREET VENDORS

15. (SBU) There are two kinds of street vendors ("ambulantes" or "camelos" in Portuguese) in Sao Paulo, Matarazzo explained. Some are employed by the PCC to sell stolen goods, while others sell contraband smuggled into Brazil by the organization of master smuggler Law Kim Chong, who recently completed a three-year prison term for bribery. Of all the vendors in Sao Paulo, according to Matarazzo, only about 4,000 have licenses and can be considered legal, most of them working downtown or in adjacent neighborhoods. Matarazzo plans to get rid of the licensing system by the end of the year, because he believes the city has no need of street vendors. "It's a racket," he said. He claims that 60% of street vendors are Bolivian illegal aliens who sell pirated products and contraband, and many of the rest are Nigerians who sell drugs.

16. (SBU) According to Matarazzo, in Marta Suplicy's last year as Mayor (2004), authorities seized 30,000 pirated CDs in the city. In 2006, "I seized 1.5 million, and this year it will be over two million." (Note: Post has not verified these numbers. End Note.) He claimed to have gotten rid of all the street vendors in Santo Amaro, the district in southern Sao Paulo where the Consulate is located, and to have several times closed down the notorious "Stand Center" on Avenida Paulista in the heart of the business district, acknowledging that "when they can demonstrate their license is in order and they're complying with the law," he has to let it re-open. "I play the bad guy," he said with some relish, noting that he had taken a similar approach in implementing Mayor Kassab's "Clean City"

program, which aims to reduce visual pollution by banning billboards and restricting the number and size of store signs. Matarazzo recently hired Delegado Mario Jordao Toledo Leme, a Consulate contact who just stepped down as Chief of the state Civil Police, to coordinate efforts to crack down on piracy and organized crime.

17. (SBU) Matarazzo indicated that the city is close to unveiling a major program to clean up the notorious, aptly-named, run-down "Cracolandia" downtown neighborhood (see ref B). There will be 25 new projects, he said, with a variety of incentives for businesses to locate in the area, and the creation of 23,000 new jobs. According to press reports, Mayor Kassab put on a hard hat last Friday and operated a wrecker as the city began to demolish condemned buildings in Cracolandia. It hopes to destroy 50 in a two-block stretch of one of the worst streets by January and to begin construction of several government office buildings.

STATE VS. PCC

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18. (SBU) Matarazzo asserted that Governor Serra's hard-nosed approach to governance has been particularly effective in fighting crime. In contrast with previous administrations, he said, Serra has shown "no weakness." Since he took office in January, there have been no new PCC outbursts. Law enforcement authorities have succeeded in disrupting cell phone conversations between PCC members in prison and those on the outside. More importantly, Serra and his Secretary for Public Security, Ronaldo Marzagao, have regained

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control over the military and civil police, which Matarazzo said, without elaborating, had been lost during the administration of the late Governor Mario Covas (1995-2001). Serra's approach to combating crime is both preventive and repressive, Matarazzo said, and is delivering results.

19. (U) Matarazzo deplored what he referred to as the "glamorization of the favela" by media and the entertainment industry. This, he said, explains the enormous popularity of movies like current hit film "Tropa da Elite" (see ref C), about a special operations unit in Rio de Janeiro's slums. "Everybody loves cops and robbers, good guys and bad guys," he said, but the public still sometimes underestimates the real damage done by urban organized crime activity. "Today's pirated CD is tomorrow's stray bullet," he said in justification of the city's no-nonsense approach to combating piracy.

COMMENT

110. (SBU) Comment: Matarazzo - descendent of one of Brazil's wealthiest and most prominent families - comes across as a self-promoter, satisfied and comfortable with the authority he derives from the Mayor and Governor and clearly enjoying its exercise. Some of the successes he reports on both the city and state levels may be exaggerated, and not all his claims can be verified. But the city and some of its grittier neighborhoods are noticeably cleaner, less disorderly, and more vendor-free than they used to be (though traffic remains horrendous), and the PCC has in fact been quiet, if not entirely quiescent, for more than a year. One thing Matarazzo is not exaggerating, in our view, is his closeness to Governor Serra. If Serra had not lost the 2006 PSDB presidential nomination to Geraldo Alckmin, Matarazzo would have been his senior campaign manager, and if Serra runs for president in 2010 and wins, he is almost sure to be named a Minister. Post will report septel his comments on the national political panorama. End Comment.

111. (U) This cable was cleared by Embassy Brasilia.

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